

languid, or be diverted from investments, when money is more valuable (through an increased rate of interest), into the channels of a more remunerative trade.

NOTE A.

It is not intended that this book should assume in any degree a controversial character. An interpolated remark, however, may be usefully made upon the subject of Credit, suggested by a recent article in a financial journal of high reputation. In opposition to the contention that credit rests upon gold, this journal asserts that the regulator of credit is the supply of "credibility" ; that credit is founded upon "credibility, trustworthiness, and security." General expressions, however, of this nature do not materially aid our progress. I will assume a particular case. I perform some service or deliver some commodity to a person and accept, in exchange, his cheque. My acceptance is based upon my trust in his character for honour and his means of satisfying the cheque. But upon what kind of means ? I do not want goods ; if he offer them they may be beyond my course of business, or be quite unneeded, and may therefore waste or entail loss of time and money in disposing of them. I may simply pay the cheque into my bankers' as an asset to be drawn upon for suitable chances of investment. What I thus depend upon is gold : not necessarily its actual possession in notes or sovereigns, but the certainty that the gold which the cheque represents is within the command of the giver, and is transferred by the cheque to my command, so that if I, or any person to whom I may hand the cheque, demand gold, the stock is there, and is sure to be forthcoming in liquidation of the cheque. I require, as my payment, *a power of command* over any commodities I may wish to buy, any services I may want to have rendered, or any investments I may desire to secure ; a power of command, in short, over any commodities (to an equivalent amount) *anywhere* ; and this universal command alone consists in the form of gold—the commodity accepted in exchange by the whole civilised world. Complicated questions can constantly be enlightened by the separate consideration of one of the constituent parts of which those questions form the representative mass ; the ripples of a pool express as fully and precisely the principles of hydrodynamics as the " league-long roller " of an Atlantic

NOTE B.

A diminution of "other securities," of course, occurs when loans which had been obtained from the Bank are repaid.

NOTE C.

The appended example presents, at one and the same time, the wonderful utility of bills of exchange in bridging a gulf which would otherwise be impassable, and the eminent service of London as the general centre of international settlements.